



## **RBC CASH Index: Moderate Decline In U.S. Consumer Confidence Following September Exuberance**

**Washington, DC, October 6, 2006** — The surge in optimism U.S. consumers felt in September as a result of falling gas prices abated somewhat this month, according to the most recent results of the RBC CASH (Consumer Attitudes and Spending by Household) Index, which measured the attitudes of 1,001 Americans earlier this week. Consumers' short-term euphoria did not translate into longer-term optimism about the state of personal finances as consumer sentiment dropped nearly 11 points in October. As a result, the RBC CASH Index, released today by RBC Financial Group, declined to 83.1 this month, compared to 93.7 in September and 74.8 in August.

"Despite moderate declines in the overall index and current conditions sub-index, the figures remain robust," said T.J. Marta, Economic and Fixed Income Strategist for RBC Capital Markets. "Gasoline prices continue to fall, reaching their lowest level since March, and mortgage rates have fallen towards their lowest level since January. Additionally, hourly wages and overall incomes remain strong, and all of this points to a healthy consumer and a soft landing for the U.S. economy."

The RBC CASH Index is a monthly national survey of consumer attitudes on the current and future state of local economies, personal finance situations, savings and confidence to make large investments. The Index is composed of four sub-indexes; RBC Current Conditions Index; RBC Expectations Index; RBC Investment Index; and, RBC Jobs Index. The Index is benchmarked to a baseline of 100 assigned at its introduction in January 2002. This month's findings are based on a representative nationwide sample of 1,001 U. S. adults polled from October 2-4 2006 by survey-based research company Ipsos Public Affairs. The margin of error was plus or minus 3.1 per cent. Highlights of the survey results include:

- Losing most of the 27-point increase observed in September, the **RBC Current Conditions Index** this month stands at 98.3, down from 118.8 last month. Consumer sentiment regarding the current state of the local economy and current personal finances returned to yearly average levels in October, after hitting a high point in the wake of decreasing gas prices last month. That exuberance has tempered somewhat – currently one quarter (24 per cent) of American consumers rate their local economy as strong, compared to 27 per cent in September.
- Consumer sentiment on the state of current personal finances shifted even more, with one quarter (25 per cent) rating their current personal financial situation as strong (compared to 33 per cent in September) and one quarter (26 per cent) rating current finances as weak (compared to 20 per cent last month). This represents a shift back to 2006 average levels.
- Driven primarily by the decline in confidence regarding current finances, consumer sentiment regarding investment also dipped in October 2006. A slight softening of comfort in purchasing also contributed to the overall decline in Americans' investing sentiment. As a result, the **RBC Investment Index** for October stands at 87.2, down nearly 23 points from 110.0 in September. Nearly one third (32 per cent) of Americans report they are more comfortable making a major purchase like a car or home in October, compared to 36 per cent last month. Comfort in making other household purchases also declined slightly this month, as 38 per cent of consumers say they are more comfortable making other household purchases, compared to 42 per cent who said they felt that way in September.



- However, other aspects of investing confidence showed more resiliency. Nearly four in ten Americans (38 per cent) believe the next month will be a good time to buy real estate (compared to 35 per cent in September ) bringing attitudes regarding real estate investment to roughly the same as they were one year ago (40 per cent in October 2005). This month four in ten consumers (41 per cent) also said they believe the next month will be a good time to invest in the stock market (compared to 40 per cent in September).
- Consumer optimism regarding expectations about the future held steady this month. The **RBC Expectations Index** stands at 39.8, compared to 39.4 in September. Overall sentiment regarding expectations for local economies remained the same in October as it had last month, with 21 per cent believing the local economy will be stronger six months from now. Similarly, expectations for personal finances also held steady in October, with nearly four in ten Americans (37 per cent) believing their personal financial situation will be stronger six months from now (compared to 35 per cent last month).
- Consumer confidence regarding job security held steady for the second consecutive month. The **RBC Jobs Index** for October stands at 119.0, compared to 119.4 in September. Four in ten (41 per cent) consumers report they are more confident about current job security than six months ago (compared to 44 per cent in September 2006), while personal job loss experience remained unchanged from last month as one third (33 per cent) of consumers again reported that they or someone they know personally have lost their job as the result of economic conditions. Additionally, expectations regarding future job loss remained low in October, with only one in five (18 per cent) consumers reporting future job loss is likely (compared to 19 per cent last month).

While the overall **RBC CASH Index**, along with the **RBC Current Conditions Index** and the **RBC Investment Index**, declined this month, consumer confidence in October is largely a picture of readjustment, rather than increasing pessimism. "The sharp drop in gas prices in September created a surge in consumer estimations of current personal finances and evaluations of the local economy. Now that lower gas prices have had time to sink in, the excitement has abated somewhat, and consumer attitudes have returned to average yearly levels," added Marta.

**For more information on this release, please contact:**

Michael Gross, Ph.D.  
Ipsos Public Affairs  
[michael.gross@ipsos-na.com](mailto:michael.gross@ipsos-na.com)  
202.463.2147

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### **Media contacts:**

Loretta Healy, The Hubbell Group, Inc. (781) 878-8882  
Kevin Foster, RBC Capital Markets, (212) 428-6902